

# The changes to the NHS reforms are cosmetic: the essential elements have been preserved

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*In what was seen as a major concession to the Liberal Democrats, last week David Cameron announced 'substantive' changes to the NHS reform bill. [Matthew Partridge](#) argues that while on the surface these changes appear to be a policy u-turn, the changes are in fact quite minor; GP commissioning is still largely intact, as is the possibility of increases outsourcing to the public sector.*



David Cameron's decision to accept the recommendations of the enquiry into the NHS reforms by Steve Field has been met with jubilation from Labour and consternation from hard-line Conservatives. Indeed, the former Labour minister Alan Milburn complains that the proposed modifications go too far stating that

*the NHS cannot stand still in the face of demographic change and medical advance. Reform is a constant necessity. The U-turn slows the pace of reform and dramatically dilutes its impact*

However, the reality is that even with the changes, the reforms are both radical and misguided.

Although the 2013 deadline for GP-led commissioning will be nominally abolished, the NHS will have to "provide all necessary support to enable the transfer of power to take place as swiftly as possible". Since this "necessary support" is not specified, there is nothing to stop the government using incentives, to maintain a deadline in all but name, which is what it did when it disastrously tried to reform pensions in the 1980s. Any remaining holdouts after 2013 will have to participate in "shadow" commissioning groups, run by the NHS Commissioning Board, since Primary Care Trusts will be abolished.

Additionally, the government still plans to maintain another key deadline, the requirement for NHS trusts to take up Foundation status. In their response they make it very clear that "we strongly expect that the majority of remaining NHS trusts will be authorised as foundation trusts by April 2014. It will not be an option to stay as an NHS trust". To make the point even clearer they talk about "an agreed deadline for every trust" to make the change in status.

Even the commitment to modify Monitor's role so that it no longer forces commissioning groups to purchase services strictly on the basis of cost comes with caveats. In its response, the government makes clear that that "Commissioners will be required to follow "best value" principles when tendering for non-tariff services". This implies that these groups will have to tender each individual service out, rather than entering into a general contract with trusts that they currently use. Therefore it seems that the government is still set to move to a system where the state's only role is to provide funds, and that everything else is gradually contracted out to the private sector.

However, healthcare is unsuited to such public-sector outsourcing since it has a high level of "transaction costs". One such problem is the high degree of informational asymmetries. For instance, a GP who refers a patient to a consultant or specialist will have problems checking the resulting diagnoses. If the specialist has a financial interest in recommending a particular treatment, which may be the case if he or she works for a private company, then the potential for abuse is clear. At the same time, it will be difficult to co-ordinate the care of a patient with multiple conditions, if different procedures are contracted to different organizations.

Indeed, the most inefficient and wasteful state-funded healthcare in the world, the American Medicare and Medicaid programs, follow the model of the state as an insurer rather than as a provider. Despite only covering the very poor and the elderly, the combined costs of U.S state-funded healthcare (as a percentage of GDP) are close to those of the universal NHS. Because of these failings, sharp increases in the level of co-payments are already being proposed in Congress – something the coalition government has only ruled out for this parliament.

David Cameron may have left himself open to accusations of a "U-Turn". However, he has preserved the

essential elements of the reforms, wrong-footed opponents and given Nick Clegg a chance to look important. Although this is a deft piece of political footwork, it is bad public policy.